Hospitals with an average debt service coverage ratio (DSC) above 1.4x, calculated from the three most recent audited financial statements, are eligible for mortgage insurance. The formula for the debt service coverage ratio is below:

(Excess of Revenues Over Expenses) + Interest Expense + Depreciation Expense + Amortization Expense

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Current Portion of Long-Term Debt (Prior Year, Including Capital Leases) + Interest Expense

The DSC is based upon the hospital's "excess of revenues over expenses" (or in the case of for-profit organizations, "net income") as it appears in the hospital's audited financial statements.

The calculations should exclude the operations of affiliates/subsidiaries/business lines that will not be collateral for the insured mortgage.

When the hospital's proposal includes refinancing existing debt with proceeds from the HUD-insured loan, HUD will use an estimate of projected interest rate(s) in lieu of the historical interest rate(s) when calculating the DSC ratio for prior periods. In cases where the projected interest rate is used, the hospital must demonstrate a 1.4x debt service coverage ratio.

If the hospital does not meet the DSC criterion, but the hospital's performance in one of the three years used in the calculation was affected by exceptional, one-time events that substantially altered financial performance, you may calculate the three-year average DSC by omitting the unusual year, and substituting the fourth historical year's results.

For assistance calculating the DSC ratio, please use the Operating Margin and DSC Worksheet available here.

If, based on your calculations, the hospital meets the DSC requirement, please click on "Yes" when answering this question.